

WEST MONONA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the West Monona Community School District in Onawa, Iowa.

The District's revenues totaled \$7,663,326 for the year ended June 30, 2008, a 4.24% increase from the prior year. Revenues included \$2,833,241 in local tax, charges for service of \$503,453, operating grants, contributions and restricted interest of \$1,124,906, unrestricted state grants of \$2,979,822, unrestricted interest of \$192,257, and other general revenues of \$29,647.

Expenses for District operations totaled \$6,686,542 a 0.55% increase from the prior year. Expenses included \$2,653,730 in regular instruction, \$1,030,248 in special instruction and \$801,228 in administration services.

A copy of the audit report is available for review in the District Secretary's office, the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> <b>(Before September 2007 election)</b>		
Carrie Dickman	President	2007
Bo Fox	Vice President	2008
Robert Skelton	Board Member	2007
Amy Maule	Board Member	2008
Hank Mason	Board Member (Resigned)	2007
<b>Board of Education</b> <b>(After September 2007 election)</b>		
Bo Fox	President	2008
Amy Maule	Vice President	2008
Terri Pratt	Board Member	2009
Geri Johnson	Board Member	2009
Hank Mason	Board Member	2009
<b>School Officials</b>		
James Simmelink	Superintendent	2008
Kathryn Holverson	District Secretary/ Treasurer	2008

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District, Onawa, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2009 on our consideration of the West Monona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Monona Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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West Monona Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,083,208 in fiscal 2007 to \$6,549,893 in fiscal 2008, while General Fund expenditures increased from \$5,845,875 in fiscal 2007 to \$5,950,098 in fiscal 2008. The District's General Fund balance increased from \$153,056 in fiscal 2007 to \$752,851 in fiscal 2008.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$150,492 in fiscal year 2007 to \$151,565 in fiscal year 2008.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Monona Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Monona Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Monona Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***West Monona Community School District Annual Financial Report***

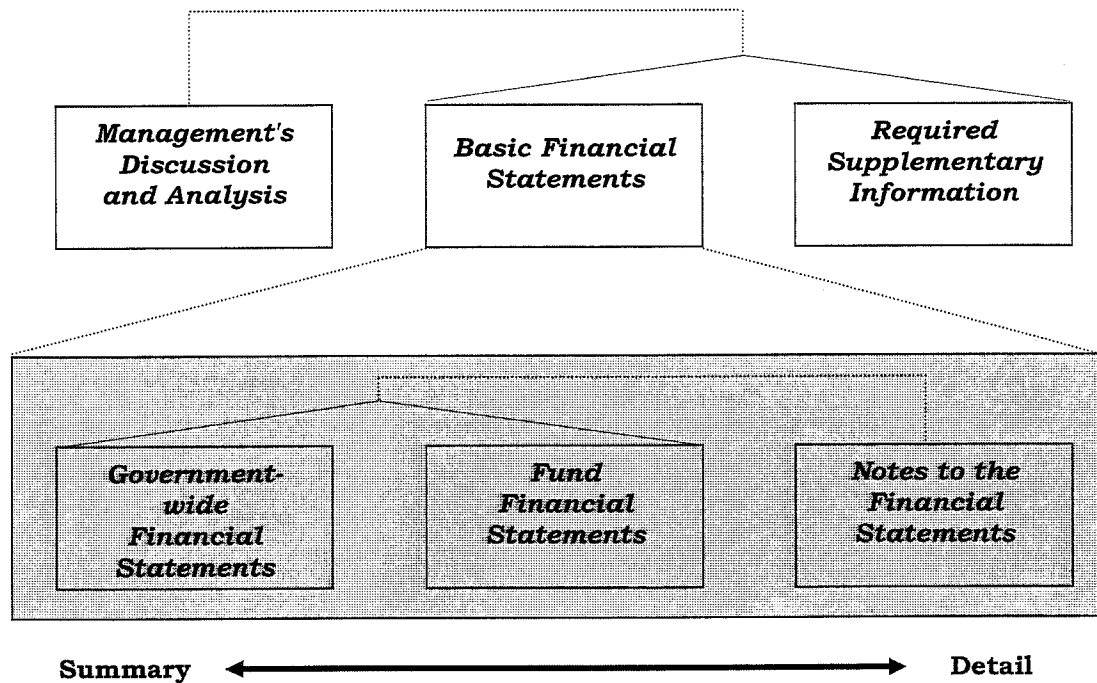




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 8,081,378	7,165,166	12,771	10,802	8,094,149	7,175,968	12.80%
Capital assets	1,445,539	1,477,027	45,510	49,828	1,491,049	1,526,855	-2.35%
Total assets	9,526,917	8,642,193	58,281	60,630	9,585,198	8,702,823	10.14%
Long-term obligations	506,077	669,909	0	0	506,077	669,909	-24.46%
Other liabilities	5,849,856	5,780,819	979	593	5,850,835	5,781,412	1.20%
Total liabilities	6,355,933	6,450,728	979	593	6,356,912	6,451,321	-1.46%
Net assets:							
Invested in capital assets, net of related debt	985,539	847,027	45,510	49,828	1,031,049	896,855	14.96%
Restricted	1,425,690	1,214,419	0	0	1,425,690	1,214,419	17.40%
Unrestricted	759,755	130,019	11,792	10,209	771,547	140,228	450.21%
Total net assets	\$ 3,170,984	2,191,465	57,302	60,037	3,228,286	2,251,502	43.38%

The District's combined net assets increased by 43.38%, or \$976,784, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$211,271, or 17.40% over the prior year. The increase was primarily a result of reclassification of the Capital Projects and Debt Service Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$631,319, or 450.21%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 380,028	412,193	123,425	109,549	503,453	521,742	-3.51%
Operating grants, and contributions and restricted interest	977,239	821,685	147,667	151,011	1,124,906	972,696	15.65%
General revenues:							
Property tax	2,344,983	2,396,626	0	0	2,344,983	2,396,626	-2.15%
Income surtax	96,405	113,089	0	0	96,405	113,089	-14.75%
Local option sales and services tax	391,853	397,958	0	0	391,853	397,958	-1.53%
Unrestricted state grants	2,979,822	2,728,811	0	0	2,979,822	2,728,811	9.20%
Unrestricted investment earnings	185,698	187,437	6,559	6,323	192,257	193,760	-0.78%
Other	29,647	26,731	0	0	29,647	26,731	10.91%
Total revenues	7,385,675	7,084,530	277,651	266,883	7,663,326	7,351,413	4.24%
Program expenses:							
Governmental activities:							
Instruction	4,112,612	4,113,588	0	0	4,112,612	4,113,588	-0.02%
Support services	1,882,552	1,869,623	0	0	1,882,552	1,869,623	0.69%
Non-instructional programs	14,827	9,142	280,386	288,317	295,213	297,459	-0.76%
Other expenses	396,165	369,068	0	0	396,165	369,068	7.34%
Total expenses	6,406,156	6,361,421	280,386	288,317	6,686,542	6,649,738	0.55%
Changes in net assets	979,519	723,109	(2,735)	(21,434)	976,784	701,675	39.21%
Beginning net assets	2,191,465	1,468,356	60,037	81,471	2,251,502	1,549,827	45.27%
Ending net assets	\$ 3,170,984	2,191,465	57,302	60,037	3,228,286	2,251,502	43.38%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 78.71% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.64% of the revenue from business type activities.

The District's total revenues were approximately \$7.66 million of which \$7.39 million was for governmental activities and \$.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.24% increase in revenues and a 0.55% increase in expenses. The increase in expenses was related to increases in the negotiated salary and benefits.

### Governmental Activities

Revenues for governmental activities were \$7,385,676 and expenses were \$6,406,157 for the year ended June 30, 2008.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,112,613	4,113,588	-0.02%	3,027,815	2,938,078	3.05%
Support services	1,882,552	1,869,623	0.69%	1,877,768	1,983,714	-5.34%
Non-instructional programs	14,827	9,142	62.19%	(5,618)	10,199	-155.08%
Other expenses	396,165	369,068	7.34%	148,924	210,740	-29.33%
Totals	<u>\$ 6,406,157</u>	<u>6,361,421</u>	<u>0.70%</u>	<u>5,048,889</u>	<u>5,142,731</u>	<u>-1.82%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$380,028.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$977,239.
- The net cost of governmental activities was financed with \$2,344,984 in property tax, \$96,405 in income surtax, \$391,853 in local option sales and services tax, \$2,979,822 in unrestricted state grants, \$185,698 in interest income and \$29,647 in other general revenues.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$277,651 and expenses were \$280,386. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the West Monona Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,139,669, above last year's ending fund balances of \$1,306,019. The primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in the General Fund balance.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and state grants resulted in increased revenues. The increase in revenues was more than the increase in expenditures resulted in the District fund balance increasing by \$599,795.
- The General Fund balance increased from \$153,056 to \$752,851, due in part to the cost savings cuts in expenditures.
- The Debt Service Fund balance increased from \$246,431 in fiscal 2007 to \$305,691 in fiscal 2008. Part of the requirement for the revenue bonds was to reserve 10% of the bond issue to make the final payment. The District transfers local option sales and services tax monthly to the Debt Service Fund to repay the revenue bonds. The increase in the Debt Service Fund was

due to the transfer in of the excess amount of local option sales and services tax collected for use in bond repayments.

- The Capital Projects Fund balance increased from \$660,815 in fiscal 2007 to \$855,066 in fiscal 2008. An increase in the revenues and a transfer from the Debt Service Fund for excess collections of local option sales and services tax during the year allowed the Capital Projects Fund to improve.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$60,037 at June 30, 2007 to \$57,302 at June 30, 2008, representing a decrease of 4.56%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$140,051 less than budgeted revenues, a variance of 1.8%. The most significant variance resulted from the District receiving more in Federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$1.49 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.35% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$139,708.

The original cost of the District's capital assets was \$4,977,129. Governmental funds account for \$4,745,379 with the remainder of \$231,750 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$264,352 at June 30, 2008, compared to \$295,190 reported at June 30, 2007. This decrease resulted from depreciation expense for the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 92,549	92,549	0	0	92,549	92,549	0.00%
Buildings	1,047,662	1,048,335	0	0	1,047,662	1,048,335	-0.06%
Land improvements	86,486	90,781	0	0	86,486	90,781	-4.73%
Machinery and equipment	218,842	245,362	45,510	49,828	264,352	295,190	-10.45%
Total	\$ 1,445,539	1,477,027	45,510	49,828	1,491,049	1,526,855	-2.35%

## Long-Term Debt

At June 30, 2008, the District had \$506,077 in revenue bonds and other long-term debt outstanding. This represents a decrease of 24.46% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$175,000 at June 30, 2008.

The District had outstanding Revenue Bonds payable of \$285,000 at June 30, 2008.

The District had outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$46,077 at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Change
	June 30,		June 30,
	2008	2007	2007-08
Capital Loan Notes	\$ 175,000	215,000	-18.60%
Revenue Bonds	285,000	415,000	-31.33%
Early Retirement	46,077	39,909	15.46%
Totals	<u>\$ 506,077</u>	<u>669,909</u>	<u>-24.46%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Historically, the District has entered into annual contracts with its collective bargaining units. The District will negotiate new agreements during fiscal 2009. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- Taxable property value is expected to continue to decline because of state level policy.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathryn Holverson, District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS



Exhibit A

WEST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 2,734,085	0	2,734,085
Other	2,480,179	4,605	2,484,784
Receivables:			
Property tax:			
Delinquent	47,765	0	47,765
Succeeding year	2,442,421	0	2,442,421
Income surtax	97,344	0	97,344
Accounts	14,514	130	14,644
Accrued interest - ISCAP(Note 4)	18,890	0	18,890
Due from other governments	246,180	0	246,180
Inventories	0	8,036	8,036
Capital assets, net of accumulated depreciation(Note 5)	1,445,539	45,510	1,491,049
<b>Total Assets</b>	<b>9,526,917</b>	<b>58,281</b>	<b>9,585,198</b>
<b>Liabilities</b>			
Accounts payable	1,541	0	1,541
Due to other governments	150,805	0	150,805
Salaries and benefits payable	478,764	0	478,764
Accrued interest payable	5,491	0	5,491
ISCAP warrants payable(Note 4)	2,718,000	0	2,718,000
ISCAP accrued interest payable(Note 4)	18,731	0	18,731
ISCAP unamortized premium	32,129	0	32,129
Deferred revenue:			
Succeeding year property tax	2,442,421	0	2,442,421
Other	1,974	0	1,974
Unearned revenue	0	979	979
Long-term liabilities(Note 6):			
Portion due within one year:			
Capital loan notes payable	40,000	0	40,000
Revenue bonds payable	140,000	0	140,000
Early retirement payable	46,077	0	46,077
Portion due after one year:			
Capital loan notes payable	135,000	0	135,000
Revenue bonds payable	145,000	0	145,000
<b>Total Liabilities</b>	<b>6,355,933</b>	<b>979</b>	<b>6,356,912</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	985,539	45,510	1,031,049
Restricted for:			
Debt service	305,691	0	305,691
Talented and gifted	71,515	0	71,515
Salary improvement program	1,199	0	1,199
Professional development	543	0	543
Additional teacher contract day	1,076	0	1,076
Market factor	4,036	0	4,036
Market factor incentive	5,077	0	5,077
Beginning administrator mentoring program	1,503	0	1,503
Capital projects	855,066	0	855,066
Management levy	41,908	0	41,908
Physical plant and equipment levy	110,112	0	110,112
Other special revenue purposes	27,964	0	27,964
Unrestricted	759,755	11,792	771,547
<b>Total Net Assets</b>	<b>\$ 3,170,984</b>	<b>57,302</b>	<b>3,228,286</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,653,730	143,493	477,127	(2,033,110)	0
Special instruction	1,030,248	75,450	230,023	(724,775)	0
Other instruction	428,634	140,041	18,663	(269,930)	0
	<u>4,112,612</u>	<u>358,984</u>	<u>725,813</u>	<u>(3,027,815)</u>	<u>0</u>
Support services:					
Student services	126,253	0	2,936	(123,317)	0
Instructional staff services	155,335	0	1,249	(154,086)	0
Administration services	801,228	0	0	(801,228)	0
Operation and maintenance of plant services	577,088	0	0	(577,088)	0
Transportation services	222,648	599	0	(222,049)	0
	<u>1,882,552</u>	<u>599</u>	<u>4,185</u>	<u>(1,877,768)</u>	<u>0</u>
Non-instructional programs	14,827	20,445	0	5,618	0
Other expenditures:					
Facilities acquisitions	52,506	0	0	(52,506)	0
Long-term debt interest	27,877	0	0	(27,877)	0
AEA flowthrough	247,241	0	247,241	0	0
Depreciation (unallocated)*	68,541	0	0	(68,541)	0
	<u>396,165</u>	<u>0</u>	<u>247,241</u>	<u>(148,924)</u>	<u>0</u>
Total governmental activities	6,406,156	380,028	977,239	(5,048,889)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	280,386	123,425	147,667	0	(9,294)
Total	<u>\$ 6,686,542</u>	<u>503,453</u>	<u>1,124,906</u>	<u>(5,048,889)</u>	<u>(9,294)</u>
General Revenues:					
Property tax levied for:					
General purposes				\$ 2,229,526	0
Capital outlay				115,457	0
Income surtax				96,405	0
Local option sales and services tax				391,853	0
Unrestricted state grants				2,979,822	0
Unrestricted investment earnings				185,698	6,559
Other general revenues				29,647	0
Total general revenues				<u>6,028,408</u>	<u>6,559</u>
Changes in net assets				979,519	(2,735)
Net assets beginning of year				2,191,465	60,037
Net assets end of year				<u>\$ 3,170,984</u>	<u>57,302</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 2,734,085	0	0	2,734,085
Other	1,257,806	695,564	526,809	2,480,179
Receivables:				
Property tax:				
Delinquent	42,822	0	4,943	47,765
Succeeding year	2,177,739	0	264,682	2,442,421
Income surtax	48,672	0	48,672	97,344
Accounts	14,514	0	0	14,514
Accrued interest - ISCAP(Note 4)	18,890	0	0	18,890
Due from other governments	86,678	159,502	0	246,180
<b>Total Assets</b>	<b>\$ 6,381,206</b>	<b>855,066</b>	<b>845,106</b>	<b>8,081,378</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,541	0	0	1,541
Due to other governments	150,805	0	0	150,805
Salaries and benefits payable	478,764	0	0	478,764
ISCAP warrants payable(Note 4)	2,718,000	0	0	2,718,000
ISCAP accrued interest payable(Note 4)	18,731	0	0	18,731
ISCAP unamortized premium	32,129	0	0	32,129
Deferred revenue:				
Succeeding year property tax	2,177,739	0	264,682	2,442,421
Income surtax	48,672	0	48,672	97,344
Other	1,974	0	0	1,974
Total liabilities	5,628,355	0	313,354	5,941,709
Fund balances:				
Reserved for:				
Debt service	0	0	305,691	305,691
Talented and gifted	71,515	0	0	71,515
Salary improvement program	1,199	0	0	1,199
Professional development	543	0	0	543
Additional teacher contract day	1,076	0	0	1,076
Market factor	4,036	0	0	4,036
Market factor incentive	5,077	0	0	5,077
Beginning administrator mentoring program	1,503	0	0	1,503
Unreserved:				
Designated wellness fund balance	6,257	0	0	6,257
Undesignated	661,645	855,066	226,061	1,742,772
Total fund balances	752,851	855,066	531,752	2,139,669
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,381,206</b>	<b>855,066</b>	<b>845,106</b>	<b>8,081,378</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 2,139,669

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in in the governmental funds. 1,445,539

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current fiscal period. 97,344

Accrued interest payable on long-term liabilities is  
not due and payable in the current period and, therefore,  
is not reported as a liability in the governmental funds. (5,491)

Long-term liabilities, including capital loan notes payable,  
revenue bonds payable and early retirement payable, are not  
due and payable in the current period and, therefore, are not  
reported as liabilities in the governmental funds. (506,077)

Net assets of governmental activites (page 13) \$ 3,170,984

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

WEST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,169,078	391,853	261,216	2,822,147
Tuition	218,935	0	0	218,935
Other	222,939	17,240	154,379	394,558
State sources	3,629,585	0	0	3,629,585
Federal sources	308,242	0	0	308,242
Total revenues	6,548,779	409,093	415,595	7,373,467
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,594,528	0	49,362	2,643,890
Special instruction	1,030,248	0	0	1,030,248
Other instruction	306,815	0	131,593	438,408
	3,931,591	0	180,955	4,112,546
Support services:				
Student services	123,745	0	0	123,745
Instructional staff services	152,569	0	0	152,569
Administration services	729,956	0	70,075	800,031
Operation and maintenance of plant services	542,691	0	23,416	566,107
Student transportation services	207,478	0	0	207,478
	1,756,439	0	93,491	1,849,930
Non-instructional programs:				
Other enterprise operations	4,385	0	0	4,385
Community service and education operations	10,442	0	0	10,442
	14,827	0	0	14,827
Other expenditures:				
Facilities acquisition	0	10,589	105,490	116,079
Long-term debt:				
Principal	0	0	170,000	170,000
Interest	0	0	30,308	30,308
AEA flowthrough	247,241	0	0	247,241
	247,241	10,589	305,798	563,628
Total expenditures	5,950,098	10,589	580,244	6,540,931
Excess of revenues over expenditures	598,681	398,504	(164,649)	832,536
Other financing sources(uses):				
Sale of equipment	1,114	0	0	1,114
Transfers in	0	69,994	324,830	394,824
Transfers out	0	(274,247)	(120,577)	(394,824)
Total other financing sources(uses)	1,114	(204,253)	204,253	1,114
Net change in fund balances	599,795	194,251	39,604	833,650
Fund balance beginning of year	153,056	660,815	492,148	1,306,019
Fund balance end of year	\$ 752,851	855,066	531,752	2,139,669

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 833,650

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 101,668	
Depreciation expense	<u>(133,156)</u>	(31,488)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 11,094

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 170,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,431

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement		<u>(6,168)</u>
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Changes in net assets of governmental activities (page 14) \$ 979,519

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents:	\$ 4,605
Accounts receivable	22
Due from other governments	108
Inventories	8,036
Capital assets, net of accumulated depreciation (Note 5)	45,510
<b>Total Assets</b>	<u>58,281</u>
<b>Liabilities</b>	
Unearned revenues	<u>979</u>
<b>Net Assets</b>	
Invested in capital assets	45,510
Unrestricted	11,792
<b>Total Net Assets</b>	<u>\$ 57,302</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 123,425
TOTAL OPERATING REVENUES	<u>123,425</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	104,625
Benefits	20,356
Services	867
Supplies	147,954
Other	32
Depreciation	6,552
TOTAL OPERATING EXPENSES	<u>280,386</u>
OPERATING LOSS	<u>(156,961)</u>
NON-OPERATING REVENUES:	
State sources	3,801
Federal sources	143,866
Interest income	6,559
TOTAL NON-OPERATING REVENUES	<u>154,226</u>
Change in net assets	(2,735)
Net assets beginning of year	<u>60,037</u>
Net assets end of year	<u>\$ 57,302</u>

SEE NOTES TO FINANCIAL STATEMENTS.



WEST MONONA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 123,061
Cash received from miscellaneous operating activities	749
Cash payments to employees for services	(124,982)
Cash payments to suppliers for goods or services	(128,191)
Net cash used in operating activities	<u>(129,363)</u>
Cash flows from non-capital financing activities:	
State grants received	3,801
Federal grants received	123,326
Net cash provided by non-capital financing activities	<u>127,127</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(2,234)</u>
Cash flows from investing activities:	
Interest on investments	<u>6,559</u>
Net decrease in cash and cash equivalents	2,089
Cash and cash equivalents at beginning of year	<u>2,516</u>
Cash and cash equivalents at end of year	<u>\$ 4,605</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (156,961)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,432
Depreciation	6,552
Decrease in inventories	250
Increase in accounts receivable	(22)
Decrease in accounts payable	(20)
Increase in unearned revenue	406
Net cash used in operating activities	<u>\$ (129,363)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 4,605</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$20,432.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The West Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Monona Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Monona Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Monona and Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements.

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be

recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 30,005</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in

the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 274,247
Capital Projects	Debt Service	69,994
Debt Service	Special Revenue, Physical, Property, Plant, & Equipment Levy	50,583
Total		<u>\$ 394,824</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 1,231,942	18,321	1,228,000	18,293
2008-09A	6/26/08	6/25/09	1,502,143	569	1,490,000	438
Total			<u>\$ 2,734,085</u>	<u>18,890</u>	<u>2,718,000</u>	<u>18,731</u>



The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	250,000	250,000	0
2007-08B	0	175,000	175,000	0
Total	\$ 0	425,000	425,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

##### (5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,549	0	0	92,549
Capital assets being depreciated:				
Buildings	2,738,231	49,153	0	2,787,384
Land improvements	791,586	14,420	0	806,006
Machinery and equipment	1,021,345	38,095	0	1,059,440
Total capital assets being depreciated	4,551,162	101,668	0	4,652,830
Less accumulated depreciation for:				
Buildings	1,689,896	49,826	0	1,739,722
Land improvements	700,805	18,715	0	719,520
Machinery and equipment	775,983	64,615	0	840,598
Total accumulated depreciation	3,166,684	133,156	0	3,299,840
Total capital assets being depreciated, net	1,384,478	(31,488)	0	1,352,990
Governmental activities capital assets, net	\$ 1,477,027	(31,488)	0	1,445,539

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 229,516	2,234	0	231,750
Less accumulated depreciation	179,688	6,552	0	186,240
Business-type activities capital assets, net	<u>\$ 49,828</u>	<u>(4,318)</u>	<u>0</u>	<u>45,510</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 9,265
Other	1,369
Support services:	
Support staff	2,508
Instructional support	2,766
Administration	1,197
Operation and maintenance of plant	17,345
Transportation	30,165
	<u>64,615</u>
Unallocated depreciation	<u>68,541</u>
Total governmental activities depreciation expense	<u>\$ 133,156</u>
Business-type activities:	
Food service operations	<u>\$ 6,552</u>

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 215,000	0	40,000	175,000	40,000
Revenue Bonds	415,000	0	130,000	285,000	140,000
Early Retirement	39,909	46,077	39,909	46,077	46,077
Total	<u>\$ 669,909</u>	<u>46,077</u>	<u>209,909</u>	<u>506,077</u>	<u>226,077</u>

#### Capital Loan Notes Payable

Details of the District's June 30, 2008 capital loan notes indebtedness are as follows:

Year Ending June 30,	Interest Rate	Loan Issue of May 1, 2001		
		Principal	Interest	Total
2009	4.65 %	\$ 40,000	8,385	48,385
2010	4.75	45,000	6,525	51,525
2011	4.80	45,000	4,388	49,388
2012	4.95	45,000	2,227	47,227
Total		<u>\$ 175,000</u>	<u>21,525</u>	<u>196,525</u>

### Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2000			
	Interest Rate	Principal	Interest	Total
2009	5.75 %	\$ 140,000	12,362	152,362
2010	5.75	145,000	4,169	149,169
Total		\$ 285,000	16,531	301,531

The District has pledged future local option sales and services tax revenues to repay the \$1,045,00 bonds issued in July 2000. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2010. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$301,531 For the current year, \$150,125 of principal and interest was paid on the bonds and local option sales and services tax revenues were \$391,853.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$104,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees desiring to elect early retirement under this program must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on

various percentages of their current employment contract depending on the age of the retiree at the end of the year. Early retirement benefits paid during the year ended June 30, 2008, totaled \$39,909. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$217,388, \$204,199 and \$190,067, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The West Monona Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, vision, life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$582,000.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The

District's actual amount for this purpose totaled \$247,241 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,435,640	129,984	3,565,624	3,685,623	3,685,623	(119,999)
State sources	3,629,585	3,801	3,633,386	3,712,547	3,712,547	(79,161)
Federal sources	308,242	143,866	452,108	393,000	393,000	59,108
Total revenues	<u>7,373,467</u>	<u>277,651</u>	<u>7,651,118</u>	<u>7,791,170</u>	<u>7,791,170</u>	<u>(140,052)</u>
Expenditures:						
Instruction	4,112,546	0	4,112,546	4,784,562	4,784,562	672,016
Support services	1,849,930	0	1,849,930	2,202,151	2,202,151	352,221
Non-instructional programs	14,827	280,386	295,213	343,821	343,821	48,608
Other expenditures	563,628	0	563,628	1,014,035	1,014,035	450,407
Total expenditures	<u>6,540,931</u>	<u>280,386</u>	<u>6,821,317</u>	<u>8,344,569</u>	<u>8,344,569</u>	<u>1,523,252</u>
Excess(deficiency) of revenues over(under) expenditures	832,536	(2,735)	829,801	(553,399)	(553,399)	1,383,200
Other financing sources, net	<u>1,114</u>	<u>0</u>	<u>1,114</u>	<u>(153,000)</u>	<u>(153,000)</u>	<u>154,114</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	833,650	(2,735)	830,915	(706,399)	(706,399)	1,537,314
Balance beginning of year	<u>1,306,019</u>	<u>60,037</u>	<u>1,366,056</u>	<u>889,040</u>	<u>889,040</u>	<u>477,016</u>
Balance end of year	<u>\$ 2,139,669</u>	<u>57,302</u>	<u>2,196,971</u>	<u>182,641</u>	<u>182,641</u>	<u>2,014,330</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



OTHER SUPPLEMENTARY INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
<b>Assets</b>						
Cash and pooled investments	\$ 85,169	27,964	107,985	221,118	305,691	526,809
Receivables:						
Property tax:						
Current year delinquent	2,816	0	2,127	4,943	0	4,943
Succeeding year	145,000	0	119,682	264,682	0	264,682
Income surtax	0	0	48,672	48,672	0	48,672
<b>Total Assets</b>	<b>\$ 232,985</b>	<b>27,964</b>	<b>278,466</b>	<b>539,415</b>	<b>305,691</b>	<b>845,106</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 145,000	0	119,682	264,682	0	264,682
Income surtax	0	0	48,672	48,672	0	48,672
Total liabilities	145,000	0	168,354	313,354	0	313,354
Fund balances:						
Reserved for debt service	0	0	0	0	305,691	305,691
Unreserved fund balance	87,985	27,964	110,112	226,061	0	226,061
Total fund balances	87,985	27,964	110,112	226,061	305,691	531,752
<b>Total Liabilities and Fund Balances</b>	<b>\$ 232,985</b>	<b>27,964</b>	<b>278,466</b>	<b>539,415</b>	<b>305,691</b>	<b>845,106</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Physical Plant Levy Equipment Levy	Total Special Revenue Funds	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 145,759	0	115,457	261,216	0
Other	3,532	139,504	4,036	147,072	7,307
TOTAL REVENUES	149,291	139,504	119,493	408,288	7,307
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	45,768	0	3,594	49,362	0
Other instruction	0	131,593	0	131,593	0
Support services:					
Administration services	53,213	0	14,287	67,500	2,575
Operation and maintenance of plant services	17,406	0	6,010	23,416	0
Other expenditures:					
Facilities acquisition	0	0	105,490	105,490	0
Long-term debt:					
Principal	0	0	0	0	170,000
Interest	0	0	0	0	30,308
TOTAL EXPENDITURES	116,387	131,593	129,381	377,361	202,883
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	32,904	7,911	(9,888)	30,927	(195,576)
OTHER FINANCING SOURCES(USES):					
Transfer in	0	0	0	0	324,830
Transfer out	0	0	(50,583)	(50,583)	(69,994)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(50,583)	(50,583)	254,836
Net change in fund balances	32,904	7,911	(60,471)	(19,656)	59,260
Fund balances beginning of year	55,081	20,053	170,583	245,717	246,431
Fund balances end of year	\$ 87,985	27,964	110,112	226,061	305,691

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 1,227	316	57	1,486
Fall play	0	942	419	523
Vocal	3,891	1,807	1,093	4,605
Vocal trip	752	0	0	752
Instrumental	919	325	0	1,244
Band Uniform	1,496	0	0	1,496
Boys Basketball Camp	256	0	0	256
Girls Basketball Camp	406	1,212	774	844
General Athletics	1,232	21,841	20,213	2,860
Basketball	3,052	0	3,052	0
Track	(968)	968	0	0
Cross County	819	0	819	0
Golf	(2,952)	2,952	0	0
Football	1,018	0	1,018	0
Basball Camp	(225)	320	0	95
Baseball	(2,512)	2,512	0	0
Wrestling	2,420	0	2,420	0
Volleyball	436	0	436	0
Volleyball Club	4	0	0	4
Softball	1,053	0	1,053	0
Softball Camp	15	0	0	15
Class of 2007	440	0	340	100
Class of 2008	4,409	53,667	57,590	486
Class of 2009	0	7,901	6,037	1,864
NHS-National Spirit Club	0	214	0	214
Pep Club	84	37	51	70
HS Student Council	1,976	1,077	2,210	843
MS Student Council	663	370	0	1,033
Science Club	847	255	505	597
Art Club	614	754	1,169	199
Dance Team	804	797	1,576	25
Cheerleaders	134	0	0	134
BB Cheerleaders	390	222	110	502
FB Cheerleaders	206	355	14	547
WR Cheerleaders	42	312	0	354
Yearbook	(15,396)	12,733	1,973	(4,636)
FCCLA	1,203	2,805	2,309	1,699
Interest	232	2,018	2,250	0
Raffle Tax	188	0	68	120
Pop/Juice	7,830	16,908	19,811	4,927
Industrial Arts	114	0	0	114
Football Camp	(53)	3,129	2,056	1,020
Wrestling Club	749	14	0	763
Softball Camp	422	0	0	422
Weightlifting Club	816	730	730	816
HS Reward Trips	500	0	0	500
MS Reward Trips	500	2,011	1,440	1,071
Total	\$ 20,053	139,504	131,593	27,964

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,822,147	2,814,782	2,365,190	2,064,037	2,087,616
Tuition	218,935	216,278	198,350	191,256	254,964
Other	394,558	434,636	286,709	305,143	137,331
Intermediate sources	0	0	0	6,510	0
State sources	3,629,585	3,360,010	3,353,141	3,177,181	3,012,213
Federal sources	308,242	267,709	262,205	287,310	225,846
Total	\$ 7,373,467	7,093,415	6,465,595	6,031,437	5,717,970
Expenditures:					
Instruction:					
Regular instruction	\$ 2,643,890	2,602,390	2,336,293	2,229,304	1,938,166
Special instruction	1,030,248	928,939	1,103,664	815,682	962,651
Other instruction	438,408	573,321	391,394	406,183	371,246
Support services:					
Student services	123,745	138,931	158,054	147,026	202,449
Instructional staff services	152,569	97,840	115,974	82,558	92,142
Administration services	800,031	857,651	845,949	709,071	730,528
Operation and maintenance of plant services	566,107	610,037	743,790	645,090	574,575
Transportation services	207,478	185,799	310,363	220,778	252,215
Non-instructional programs	14,827	9,142	10,199	12,046	8,031
Other expenditures:					
Facilities acquisitions	116,079	101,649	60,255	71,774	40,659
Long-term debt:					
Principal	170,000	160,000	150,000	145,000	146,168
Interest	30,308	39,353	48,075	58,890	67,320
AEA flow-through	247,241	225,407	219,765	210,935	208,975
Total	\$ 6,540,931	6,530,459	6,493,775	5,754,337	5,595,125

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Monona Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Monona Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Monona Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Monona Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Monona Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Monona Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Monona Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Monona Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Monona Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Monona Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Monona Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Monona Community School District and other parties to whom West Monona Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Monona Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 5, 2009

WEST MONONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity and Nutrition Funds, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Nutrition Procedures - We noted during our audit that the commodity food listing in the Nutrition Fund was not priced out correctly at the end of the year.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review the commodity food listing to ensure accuracy.

Conclusion - Response accepted.

- I-C-08 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.



- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will implement procedures as recommended.

Conclusion - Response accepted.

- I-D-08 Receipting Procedures - We noted that sponsors of student organizations were collecting from individuals, fundraising events and other revenue fees. The sponsor or designated individual collections, which subsequently are turned into the office for receipting, depositing and posting, do not appear to include documentation for later reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - The District will provide multiple layered receipt forms to sponsors to use when collecting money and when submitting money to the office.

Conclusion - Response accepted.

- I-E-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process, however there were instances of bills that did not have a purchase order.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects

on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the ordering of the supplies takes place.

Response - The District's purchase order system will be reviewed and necessary changes made.

Conclusion - Response accepted.

- I-F-08 Student Activity Fund - During our audit issues arose about the properness of certain Accounts in the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

There is a Class of 2007 account in the Student Activity Fund. Past graduating class accounts are inactive accounts and should be closed and allocated to the other activity accounts.

Response - The Class of 2007 account in the Student Activity Fund has been closed as recommended.

Conclusion - Response accepted.

WEST MONONA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted during our audit that the District wrote check #75215 for \$20 to an individual student from the Student Activity Fund as an incentive prize for magazine sales. Checks to students as incentive prizes do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will not write checks to students as an incentive prize.

Conclusion - Response accepted.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Carrie Dickman, Board Member Father is employed by the Iowa Association of School Boards	Supplies/Services	\$2,814

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the father of Carrie Dickman do not appear to represent a conflict of interest.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification form for October 2007 was overstated by 9 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board of Education President sign all athletic officials' contracts.

Conclusion - Response accepted.